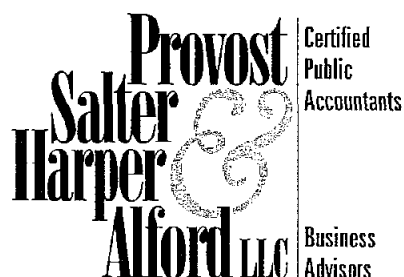


**SHAW CENTER FOR THE ARTS, L.L.C.**

**FINANCIAL REPORT**

**June 30, 2014**



8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

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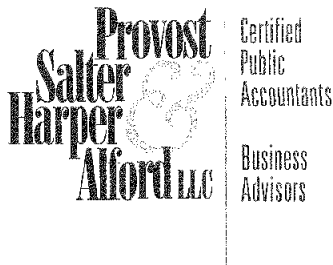
# **SHAW CENTER FOR THE ARTS, L.L.C.**

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## ***Table of Contents***

***June 30, 2014***

<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>11</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>13</b>
<b>SCHEDULE OF PRIOR YEAR FINDINGS</b>	<b>15</b>



## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

To the Officers and Board of Directors  
Shaw Center for the Arts, L.L.C.

We have audited the accompanying financial statements of the Shaw Center for the Arts, L.L.C., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shaw Center for the Arts, L.L.C. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The financial statements of Shaw Center for the Arts, L.L.C. for the year ended June 30, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on December 27, 2013.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 01, 2014 on our consideration of Shaw Center for the Arts, L.L.C.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shaw Center for the Arts, L.L.C.'s internal control over financial reporting and compliance.

Provost, Salter, Harper, & Alford LLC

A handwritten signature in black ink that reads "Provost, Salter, Harper & Alford, LLC". The signature is written in a cursive, flowing style.

Baton Rouge, Louisiana  
December 01, 2014

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**SHAW CENTER FOR THE ARTS, LLC**

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**Statements of Financial Position****June 30, 2014 and 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 396,686	\$ 333,355
Receivables:		
Rental	47,979	64,535
Related parties	11,618	3,322
Other	6,347	1,475
Prepaid insurance	6,969	11,092
Total current assets	469,599	413,779
<b>FIXED ASSETS, net of depreciation</b>	<b>33,028,283</b>	<b>34,089,664</b>
<b>Total Assets</b>	<b>\$ 33,497,882</b>	<b>\$ 34,503,443</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 53,488	\$ 43,736
Accrued expenses and other current liabilities	398	3,317
Deferred revenue	63,725	79,204
Total current liabilities	117,611	126,257
<b>Net Assets, Unrestricted</b>	<b>33,380,271</b>	<b>34,377,186</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 33,497,882</b>	<b>\$ 34,503,443</b>

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**SHAW CENTER FOR THE ARTS, LLC**

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**Statements of Activities****Years Ended June 30, 2014 and 2013**

	2014	2013
<b>SUPPORT</b>		
Rental income	\$ 753,773	\$ 757,868
Contributions and sponsorships	398,062	373,457
Settlement	-	300,000
Event income	143,215	71,310
Fundraising	-	3,712
Special events and other	22,590	2,770
<b>Total Support</b>	<b>1,317,640</b>	<b>1,509,117</b>
<b>Expenses</b>		
Program:		
Depreciation	1,078,025	1,078,025
Occupancy	992,941	1,016,659
Events	34,068	17,193
Fundraising	-	1,996
General and administrative:		
Personnel	124,078	118,418
Professional	26,269	81,474
Insurance	15,957	13,670
Repair and maintenance	12,636	8,175
Supplies	12,981	4,700
Advertising	7,877	2,186
Other	9,723	8,035
<b>Total Expenses</b>	<b>2,314,555</b>	<b>2,350,531</b>
<b>Change in Net Assets</b>	<b>(996,915)</b>	<b>(841,414)</b>
<b>Net Assets, Unrestricted</b>		
Beginning of year	34,377,186	35,218,600
End of year	<u>\$ 33,380,271</u>	<u>\$ 34,377,186</u>

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**SHAW CENTER FOR THE ARTS, LLC****Statements of Cash Flows****Years Ended June 30, 2014 and 2013**

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	2014	2013
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (996,915)	\$ (841,414)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,078,025	1,078,025
(Increase) decrease in:		
Accounts receivable	3,388	66,403
Prepaid insurance	4,123	(5,493)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,833	(75,377)
Deferred revenue	(15,479)	39,350
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>79,975</u>	<u>261,494</u>
 <b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	 63,331	 261,494
 <b>Cash And Cash Equivalents</b>		
Beginning	<u>333,355</u>	<u>71,861</u>
Ending	<u>\$ 396,686</u>	<u>\$ 333,355</u>

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## SHAW CENTER FOR THE ARTS, L.L.C.

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*Notes to Financial Statements*

*June 30, 2014*

### 1. Nature of Organization and Significant Accounting Policies

**Nature of Organization.** The Shaw Center for the Arts, L.L.C. (Shaw Center), a Louisiana limited liability company, is a not-for-profit organization that was formed to revitalize downtown Baton Rouge with a performing arts theater, arts and cultural center, a museum of art, and space for residential and commercial purposes. The project was made possible through a combination of public and private contributions.

The Shaw Center has two organizational members, which are the Douglas Manship Sr. Theater Complex, L.L.C. and LSU Museum, L.L.C., each owning a 50% member interest. The Douglas Manship St. Theater Complex, L.L.C. is owned by the Baton Rouge Area Foundation, a not-for-profit organization. Additionally, the LSU Museum, L.L.C. is owned by the LSU Property Foundation, L.L.C., a not-for-profit organization that is an affiliate of the LSU Foundation. These financial statements do not include any financial activity of the two members.

The State of Louisiana, LSU Foundation, the Baton Rouge Area Foundation and the City of Baton Rouge/Parish of East Baton Rouge have provided significant funding for the Shaw Center facility.

A summary of the Shaw Center's significant accounting policies follows:

**Basis of Accounting.** The Shaw Center maintains its records and reports its income using the accrual method of accounting, and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The Shaw Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Shaw Center does not have temporarily or permanently restricted net assets. The statement of activities presents expenses of the Shaw Center's operations functionally as program, fundraising/special events, and general and administrative.

**Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation and deferred revenue.



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## SHAW CENTER FOR THE ARTS, L.L.C.

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### *Notes to Financial Statements, Continued*

*June 30, 2014*

**Cash and Cash Equivalents.** For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits with banks, and all highly liquid investments with an initial maturity of three months or less.

**Accounts Receivable.** Management believes that all receivables are collectible at June 30, 2014 and 2013; therefore, no allowance for doubtful accounts was recorded. The Shaw Center does not require collateral for its receivables. Accounts over 90 days past due at June 30, 2014 and 2013 totaled \$13,763 and \$28,912 respectively.

**Fixed Assets and Depreciation.** Purchased or constructed fixed assets are recorded at cost. Fixed assets are depreciated over their estimated useful lives at the time the asset is placed in service using the straight-line method.

For financial statement presentation the Shaw Center provides for depreciation using the straight-line method of depreciation over the following estimated useful lives:

	Years
Buildings	40
Building improvements	40
Equipment and software	3-5
Signage	15

**Temporarily Restricted Net assets.** The Shaw Center's initial source of funding consisted of contributions dedicated to the construction of the Arts Block project. The Shaw Center recognized these contributions as temporarily restricted. As the amounts are expended for their intended purpose, such support was reclassified to unrestricted assets. Amounts that are not spent from restricted funding sources have been classified as temporarily restricted net assets. All temporarily restricted net assets have been spent for their intended purposes.

**Revenue Recognition and Deferred Revenues.** The Shaw Center receives the majority of its income through rental income, contributions and sponsorships that are recognized when received. All contributions and sponsorships are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions or sponsorships whose restrictions are met during the same reporting period are recognized as unrestricted revenue. Additionally, the Shaw Center receives income from the rental of space for scheduled events. These rental payments are often received in advance of the event date. Such amounts are recorded as event income when the related services are performed, or obligations are satisfied. Deferred revenue consists of payments received in advance of the event date.

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## SHAW CENTER FOR THE ARTS, L.L.C.

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### *Notes to Financial Statements, Continued*

*June 30, 2014*

**Concentration of Credit.** Financial instruments which subject the Shaw Center to concentrations of credit risk consist primarily of receivables. Concentrations of credit risk for receivables are generally diversified due to the large number of entities and individuals that compose the Shaw Center's rental clients. Management believes the risk is limited.

The Shaw Center maintains its cash in bank deposit accounts at high credit quality financial institutions insured by the Federal Deposit Insurance Corporation. The bank deposits at times may exceed federally insured limits. At year end bank deposit accounts exceeded the insured limit by \$168,595.

**In-kind Contributions.** The value of in-kind contributions to the Shaw Center are recognized at the fair market value of benefit received, unless immaterial. See Note 3 for further details on in-kind contributions received.

Contribution of services are recognized in the financial statements if the service enhances or creates non-financial assets or requires specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donation. The value of any donated time is not reflected in these statements since such services do not meet the definition as previously described.

**Vacation and Sick Leave.** Employees of the Shaw Center receive up to 20 days vacation and 10 days of sick leave annually. Unused days lapse and are not paid upon employee's termination or retirement. As a result, the leave is recognized as an expense when taken. Accordingly, amounts related to such absences have not been accrued.

**Advertising.** The Shaw Center expenses advertising costs as incurred. Advertising expenses of \$7,877 and \$2,186 were incurred for the years ended June 30, 2014 and 2013, respectively.

**Income Taxes.** The Shaw Center is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Reclassifications.** Certain amounts in the financial statements have been reclassified to conform to current year financial statement presentation.

**Subsequent Events.** In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 01, 2014, the date the financial statements were available to be issued.

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## SHAW CENTER FOR THE ARTS, L.L.C.

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### *Notes to Financial Statements, Continued*

*June 30, 2014*

#### **2. Fixed Assets**

	2014	2013
Buildings	\$ 42,133,600	\$ 42,133,600
Building improvements	880,409	880,409
Equipment and software	42,994	26,350
Signage	40,122	40,122
	<u>43,097,125</u>	<u>43,080,481</u>
Accumulated depreciation	<u>(10,068,842)</u>	<u>(8,990,817)</u>
Fixed assets, net	<u>\$ 33,028,283</u>	<u>\$ 34,089,664</u>

The State of Louisiana owns the land on which the facility is located. See Note 5. Depreciation expense was \$1,078,025 for the years ended June 30, 2014 and 2013.

#### **3. Significant Sources of Revenue**

The State of Louisiana, through the cooperative endeavor agreement, has agreed to provide repair and maintenance, and utility services for the Shaw Center, as well as the related chilled water system. However, any property leased to commercial tenants is excluded from the State's commitment. Finally, this commitment is subject to annual appropriation by the Legislature of the State of Louisiana. In the event that funds are not authorized, the Shaw Center will be responsible for such expenses. The Shaw Center recognized \$396,562 and \$371,957 for these services for 2014 and 2013, respectively.

#### **4. Retirement Plan**

The Shaw Center offers retirement benefits to eligible employees electing to establish a 401(k) retirement account, and includes a matching contribution of 4% of eligible compensation. Participants are fully vested in contributions made to their retirement account. During the years ended June 30, 2014 and 2013, the Shaw Center contributed \$2,948 and \$1,598, respectively, for participants.

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## SHAW CENTER FOR THE ARTS, L.L.C.

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*Notes to Financial Statements, Continued*

*June 30, 2014*

### **5. Operating Leases**

The land on which the facilities are located is owned by the State of Louisiana and is leased to the Shaw Center through Louisiana State University (LSU) for a ninety-nine year term beginning November 15, 2002. There are no scheduled payments associated with this lease as the financial contributions made to build the Shaw Center project have been accepted as the consideration.

The Shaw Center has a leasing arrangement with its members, Douglas Manship Sr. Theater Complex, L.L.C. (which is subleased to and paid by Douglas Manship Sr. Theater Complex Holding, Inc.) and LSU Museum, L.L.C, for occupying certain areas of the arts building. The leases have a ninety-nine year term. The two members are obligated to pay a pro-rata share of the operating expenses of the Shaw Center and on-going support from these organizations is essential to sustain the operations of the Shaw Center. During 2014 and 2013, the Shaw Center received rent of \$722,920 each year from these two organizations. Additionally, amounts due from related parties at June 30, 2014 and 2013 were \$11,618 and \$3,322, respectively.

The Shaw Center also has a leasing arrangement with The Downtown Redevelopment, L.L.C. to sub-lease certain areas for retail, commercial, and residential use. The Downtown Redevelopment, L.L.C., an affiliate of the Baton Rouge Area Foundation, is required to build facilities to meet the needs of sub-leased tenants. During the years ended June 30, 2014 and 2013, the Shaw Center received \$29,549 and \$30,622 from this lease arrangement as rental income.

### **6. Income Taxes**

The Shaw Center follows FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Shaw Center would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision. The Shaw Center continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Shaw Center's evaluation on December 31, 2014 and 2013 revealed no uncertain tax positions that would have a material impact on the financial statements. The Shaw Center's federal information return is subject to possible examination by the taxing authorities until the expiration of the related statute of limitations on the information return. In general, the federal information return has a three year statute of limitations.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Officers and Board of Directors  
Shaw Center for the Arts, L.L.C.  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shaw Center for the Arts, L.L.C., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 01, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shaw Center for the Arts, L.L.C.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shaw Center for the Arts, L.L.C.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Shaw Center for the Arts, L.L.C.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2014-01).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shaw Center for the Arts, L.L.C.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Shaw Center for the Arts, L.L.C.'s Response to Findings**

Shaw Center for the Arts, L.L.C.'s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Shaw Center for the Arts, L.L.C.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Provost, Salter, Harper, & Alford LLC



Baton Rouge, Louisiana  
December 01, 2014

**SHAW CENTER FOR THE ARTS, L.L.C.**  
Baton Rouge, Louisiana

**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2014

**A) SUMMARY OF AUDIT RESULTS**

1. The type of report issued on the financial statements: **Unqualified opinion**
2. Significant deficiencies in internal control were disclosed by the audit of financial statements: **2014-1**  
Material weakness: **None noted**
3. Noncompliance material to the financial statements: **None noted**

**B) FINDINGS – FINANCIAL STATEMENT AUDIT**

**2014-1 Segregation of Duties/Financial Oversight**

**Observation:** We have the following observations concerning financial oversight of the Shaw Center:

- Segregation of duties is not sufficient to have effective internal control over financial reporting. The finding results from the small staff size of the organization. These limitations allow no opportunity for meaningful segregation of duties. The individual responsible for preparing cash disbursement transactions also has the responsibility for recording and reconciling all transactions in the accounting records, and authority to sign checks.
- On the other hand, disbursements are approved by individuals not associated with the financial reporting process. Additionally, the Shaw Center's operating activity is reported to the Executive Committee on a regular basis.
- The Shaw Center relies on its auditors' to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditor cannot be considered part of the Shaw Center's internal control, and because of limitations of the Shaw Center's accounting staff, the design of the internal control does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**Recommendation:** We continue to recommend that all checks in excess of \$10,000 require two signatures. Additionally, management should review the unopened monthly bank statement for unusual activity before bank reconciliations are performed by the accountant.

Procedures should also be developed to provide for independent review of the monthly general ledger and any journal entries recorded.

Since the Shaw Center is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

**Management's corrective action plan:** We concur with the finding and intend to pursue implementing recommendations.



**SHAW CENTER FOR THE ARTS, .L.L.C.**  
Baton Rouge, Louisiana

**SCHEDULE OF PRIOR YEAR FINDINGS**

June 30, 2014

**2013-1 Segregation of Duties/Financial Oversight**

This matter has been reclassified as Item 2014-1.